New Hampshire Department of Revenue Administration

Fiscal Note Quick Guide

15-0808

HB 679-FN, *establishing tax deferrals for expansion of natural gas distribution systems*

House Ways and Means Committee

This bill establishes a tax deferral on the Business Profits Tax (BPT), the Business Enterprise Tax (BET), the Utility Property Tax (UPT) and Property Tax for natural gas distribution systems. Under this bill, effective July 1, 2015, a qualifying business may apply to the Commissioner of the Department of Revenue Administration (DRA) for a 5-year tax deferral of the BPT, BET and UPT for taxes due each year during the 5-year period and for interest accrued at 5% annually on the amount due. A qualifying business organization, business enterprise, utility or business entity must engage in the expansion of primary, lateral, and local natural gas lines and related facilities located within New Hampshire (NH) attributable to the expanded gas distribution systems. They must have obtained a certification of compliance with best management practices established by the Department of Environmental Services. And, the qualified business must provide a performance bond or other security determined by the Commissioner of the DRA to ensure payment of the deferred taxes and interest when due.

The DRA assumes the bill could take effect as early as FY 2016, so the DRA assumes the reduction in revenues would begin in FY 2016 and carry forward until repayment of the deferral of taxes and interest begins. The DRA, however, is unable to estimate the reduction in revenues to the General Fund, Education Trust Funds and local revenues during the deferral period. The DRA is unable to determine the amount of qualifying business for natural gas distribution that will request a tax and interest deferral and the deferral amount over a 5-year period. The DRA has no way of determining the repayment of the deferred taxes and interest after 5 years.

The DRA notes that the Commissioner of the DRA has no way of estimating the amount of taxes and interest that would be deferred for five years to assess an estimate for the qualified business organization for a performance bond or other security. Once the deferral time period is over the DRA is unsure on how to handle the bond or other securities, whether it would be refunded back to the taxpayer or applied against the outstanding liabilities.

The DRA also notes that it is unable to determine the meaning of the 5-year deferral. For instance, is the deferral for each tax year so taxes and interest due for Tax Year 2015 would not be due until Tax Year 2020 and taxes and interest due for Tax Year 2016 would not be due until Tax Year 2021. When would the deferral end? Further clarification is needed for the DRA to properly administer this bill.

The DRA would have an increase in expenditures in order to administer this bill. This bill requires the DRA to adopt rules under RSA 541-A for administration implementation of this bill. The DRA assumes additional personnel would be needed to revise forms, reprogram computers, write rules and administer the bill. The DRA is unable to determine the amount of staffing needed to administer this bill until the technical defects are addressed